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NATIONAL OPERATOR OF SEXUALLY ORIENTED BUSINESS SENTENCED ON FEDERAL OBSCENITY AND TAX CHARGES

WASHINGTON, D.C. – A Colorado man who served as the former national operator of several sexually-oriented businesses has been sentenced to 13 months in prison on federal obscenity and tax charges, Assistant Attorney General Alice S. Fisher of the Criminal Division and U.S. Attorney Richard B. Roper of the Northern District of Texas announced today.

Edward J. Wedelstedt, 63, of Littleton, Colorado, was sentenced this morning at a federal court in Dallas before the Honorable Ed Kinkeade, U.S. District Judge for the Northern District of Texas, on charges of transporting obscene matters for sale or distribution and engaging in a conspiracy to defraud the United States. Wedelstedt was ordered to terminate all current sexually-oriented business activities in the State of Texas and to forfeit all business property located in the state. The prison sentence will be followed by one year of supervised release. Wedelstedt was also sentenced to 120 hours of community service.

From the proceeds of the sale of his businesses, Wedelstedt will pay restitution to the Internal Revenue Service for tax loss suffered by the U.S. government. Judge Kinkeade also ordered Wedelstedt to cease all sexually-oriented business operations in the state during his terms of sentence and supervised release. In a previous civil hearing related to property seized during this investigation, Wedelstedt forfeited \$1.25 million to the government.

Wedelstedt was indicted on March 11, 2005 and subsequently entered a guilty plea on Nov. 4, 2005 to transporting obscene matters for sale or distribution and engaging in a conspiracy to defraud the U.S. by frustrating, impeding, or hindering the IRS. The indictment addressed the criminal activities of Wedelstedt and his wholly owned, multi-million dollar corporation called Goalie Entertainment Holdings, Inc. (GEH), which operated adult pornography bookstores with video arcades throughout the country. Customers paid to view clips of obscene videos or DVDs. The Texas video arcades operated by GEH, and its subsidiary Goalie Entertainment, were located in Abilene, Amarillo, Merkel, Terrell, Hillsboro, Wichita Falls, Lubbock and Dallas.

U.S. Attorney Roper said, "As shown in today's sentence, federal and state law enforcement worked together to essentially kick Wedelstedt and his numerous stores that pedaled hard core pornography out of Texas. In addition, Wedelstedt's prison sentence shows that those who pedal hard core pornography face significant time in federal prison."

According to documents filed in federal court in Dallas at the time of the guilty plea, Wedelstedt had managed and operated pornographic bookstores and adult video arcades in the Tarrant and Dallas Counties, and elsewhere in the Northern District of Texas. Those businesses were: Bright Lights I, Bright Lights II, Star Video, New Video, Eros Books, Regal Video Stop, Scooters, Adult Etc. I, Adult Etc. II, Adult Etc. IV and Adult Etc. V.

Wedelstedt's stores, both in Texas and throughout the country, contained a video arcade, or "peep show," consisting of a dozen or more small, private booths containing video screens with channel controls and devices which accept coins or tokens. The video players permit customers to view sexually-explicit videos by placing money or tokens into a slot which activated the screen for a finite length of time, usually one minute or less. The customers could select from a variety of sexually-explicit videos by pushing various channel buttons. Customer viewing time could be extended by inserting additional coins, currency or tokens. The adult bookstores and the video arcades typically operate 24 hours per day, seven days a week.

In his plea, Wedelstedt admitted that he displayed one of the videos named in the indictment in his stores in Texas, and that the video was obscene as judged by community standards in the Northern District of Texas. The video can generally be described as depicting hard core pornography with patently offensive depictions of adults performing sexual conduct. The video was shipped from another Wedelstedt company, located in California, through a common carrier.

Wedelstedt further admitted that he conspired with certain arcade managers within his company to have large amounts of cash generated from his company's arcade operations provided directly to him, giving him absolute control over the funds. Wedelstedt collected these large amounts of cash during trips on his private jet to GEH regional offices and carried the cash back to his headquarters in Denver. Wedelstedt directed his arcade managers to supply him with weekly summary sheets, along with the currency, that detailed the total amount of arcade revenue being provided to him personally. These weekly summary sheets, the only written record of the amount collected by Wedelstedt, were not retained by GEH. From these cash funds, Wedelstedt frequently paid cash salaries and cash bonuses to employees and other parties without reporting the payments to the company accounting or payroll departments. These recipients frequently did not report these payments as income to the IRS. These actions resulted in a tax loss to the government.

Wedelstedt was indicted along with six individual co-defendants and GEH. One of the co-defendants, Arthur Boten, a regional arcade manager employed by Wedelstedt in Des Moines, Iowa, also was sentenced today by Judge Kinkeade to a term of two years probation, a fine of \$2,000, and 100 hours of community service. Boten entered a guilty plea Nov. 17, 2005 to a superceding information charging him with making a false statement on a tax return. Two other co-defendants, Leroy Moore, Sr., a former business partner of Wedelstedt, and James Martinson, another regional arcade manager, are scheduled to be sentenced March 30, 2006, pursuant to their previous guilty pleas to charges stemming from the investigation.

The case was prosecuted by Trial Attorneys Steve Grocki and Alexandra Gelber of the Child Exploitation and Obscenity Section, Criminal Division; Assistant U.S. Attorneys Linda Groves and Erin Nealy Cox and Special Assistant U.S. Attorney Tim Gallagher of the Northern District of Texas; and Trial Attorney Robert Kemins of the Tax Division. Assistance was also provided by the Organized Crime and Racketeering Section and the Asset Forfeiture and Money Laundering Section, both of the Criminal Division.

The obscenity investigation was spearheaded by U.S. Immigration and Customs Enforcement of the Department of Homeland Security, and the tax evasion investigation was handled by Internal Revenue Service Criminal Investigations. Investigative assistance was also provided by several police departments and prosecutors' investigators from several states, including the Dallas District Attorney's Office.

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